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Research In Motion

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1999 Annual Report
Research In Motion

Corporate Profile

Research In Motion (RIM) is a leading designer, manufacturer and marketer of innovative wireless solutions for the mobile communications market. Through development and integration of hardware, software and services, RIM provides solutions for seamless access to time-sensitive information including email, messaging, Internet and intranet-based applications. RIM technology also enables a broad array of third party developers and manufacturers in North America and around the world to enhance their products and services with wireless connectivity. RIM's portfolio of award-winning products includes the RIM Inter@ctive™ Pager product line, the BlackBerry™ wireless email solution, wireless personal computer card adapters, embedded radio-modems and software development tools. A growth company, founded in 1984 and based in Waterloo, Ontario, RIM is listed on The NASDAQ Stock Market (NASDAQ: RIMM) and The Toronto Stock Exchange (TSE: RIM). Email: investor_relations@rim.net.
Web site address: www.rim.net.

Research In Motion, RIM, the RIM logo, Inter@ctive, Inter@ctive Pager, BlackBerry, the BlackBerry logo and "Always on, Always Connected" are trademarks of Research In Motion Limited. Research In Motion and RIM are registered with the U.S. Patent and Trademark Office. All other brands, products and company names mentioned herein may be trademarks or registered trademarks of their respective holders.

Forward-looking statements in this annual report are made pursuant to the "safe harbour" provisions of the United States Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, without limitation, risks relating to possible product defects and product liability, risks related to international operations, risks related to the year 2000 issue, continued acceptance of RIM's products, increased levels of competition, technological changes, dependence on intellectual property rights and other risks detailed from time to time in RIM's periodic reports filed with the United States Securities and Exchange Commission and other regulatory authorities.

Shareholder Information

Annual Meeting of Shareholders
Tuesday, July 20, 1999 at 6:30 p.m.
at the Canadian Clay and Glass
Museum, 25 Caroline Street North,
Waterloo, Ontario.

Shareholder Inquiries

Investor Relations
Research In Motion Limited
295 Phillip Street
Waterloo, Ontario, N2L 3W8
T (519) 888-7465
F (519) 888-6906
Email: investor_relations@rim.net

Transfer Agent

The Trust Company of the
Bank of Montreal
129 St-Jacques Street West, Level B
Montreal, QC, H2Y 1L6
T (800) 332 0095
F (514) 877-9676

Auditors

Ernst and Young LLP
Chartered Accountants
515 Riverbend Drive
P.O. 9458 Station C
Kitchener, Ontario, N2G 4W9

Zeifman and Company
Chartered Accountants
201 Bridgeland Avenue
Toronto, Ontario, M6A 1Y7

Stock Exchange Listings

Nasdaq National Market
Symbol: RIMM

The Toronto Stock Exchange
Symbol: RIM

Corporate Office

Research In Motion Limited
295 Phillip Street
Waterloo, Ontario, N2L 3W8

Corporate Web Site

www.rim.net

Financial Highlights

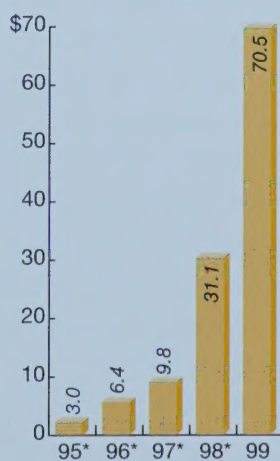
(in thousands of Canadian dollars, except per share amounts)

Year ended February 28,	1999	1998*
Income Statement Data		
Revenue	\$ 70,483	\$ 31,118
Gross Profit	\$ 27,654	\$ 9,674
Net Income	\$ 9,541	\$ 540
Earnings Per Share (basic and fully diluted)	\$ 0.15	\$ 0.01
Operating Data		
(Percentage of revenue)		
Gross Margin	39%	31%
Gross Research and Development	17%	21%
Selling, Marketing and Administration	14%	13%
Balance Sheet Data		
Total Assets	\$ 175,527	\$ 153,347
Shareholders' Equity	\$ 160,054	\$ 150,055

* In fiscal 1999, RIM ceased to include government assistance and Investment Tax Credits in revenue. These items are now netted against gross R&D expenses. Comparative historical figures in this annual report have been reclassified to conform to current year's presentation.

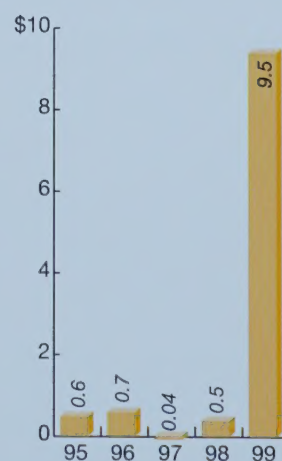
Revenue

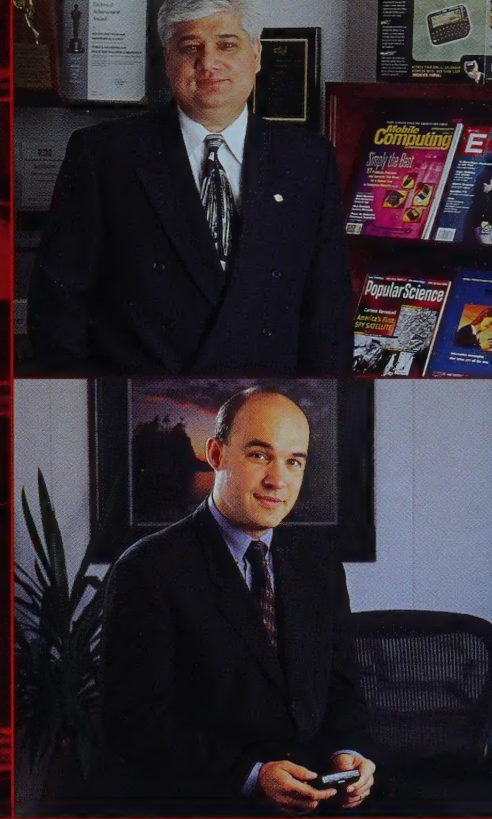
(CDN \$ million)



Net Income

(CDN \$ million)





Letter to Shareholders

*Fellow Shareholders,
Fiscal 1999 was an excellent
year for Research In Motion.
Breakthrough achievements
included financial success,
new product introductions,
increases in research and
development, marketing and
production resources and
broader industry awareness of
wearable two-way messaging.*

Financially, we more than doubled revenues to \$70.5 million and reported net earnings of \$9.5 million or \$0.15 per share. The main catalyst for this growth was the launch of the Inter@ctive™ Pager 950 with BellSouth and Cantel as well as steady sales growth with our OEM radio modem customers.

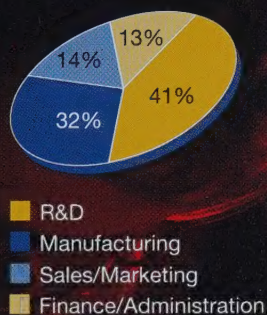
In addition to the launch of the Inter@ctive Pager 950, RIM introduced an integrated device/service offering called BlackBerry™ in January 1999. BlackBerry is explained in more detail on page 12, but in brief, its core feature is wearable wireless email. The BlackBerry Handheld allows a user to wirelessly synchronize email that is sent to their desktop computer and also performs all calendar, organizer and task list functions that are included in personal organizers. RIM not only provides the handheld devices for BlackBerry, but is a single source to the end user for software support and monthly airtime. Management believes that BlackBerry will change the way people manage their email and personal information. BlackBerry will be a significant part of RIM's business plan going forward.

RIM continued its focus on research and development by almost doubling spending to \$11.8 million and by hiring 38 highly qualified new technical personnel. A further \$3.9 million was spent on providing new equipment and tools for the R&D team. David Yach joined RIM's R&D team as Vice President, Software. David was formerly the Chief Software Architect for Sybase and is helping solidify RIM's increasing software efforts.

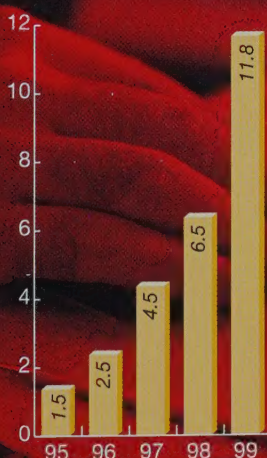
Mike Lazaridis
President and Co-Chief
Executive Officer

Jim Balsillie
Chairman and Co-Chief
Executive Officer

Employee Skill Sets



Gross Research and Development (CDN \$ million)



Marketing and broadening awareness of RIM's products was a key strategy outlined in last year's annual report. The successful launches of both the Inter@ctive Pager 950 and BlackBerry were made possible by the efforts of our marketing and sales team. RIM products were also prominently featured in promotional activities by partners, including BellSouth and Fidelity which produced U.S. nationwide advertising campaigns. As well, broader media awareness of RIM's products was evidenced by numerous positive product reviews and "best of class" awards from leading magazines and industry analysts.

RIM's production team has proven its ability to scale volumes without compromising quality. The addition of new equipment to the surface mount lines, the implementation of a new enterprise resource planning (ERP) system to manage inventory needs and production planning, as well as working with the product design teams to ensure design efficiencies have all contributed to this success. RIM is currently meeting demand with one shift running in the plant. The production team is able to scale capacity by adding shifts or additional equipment on short notice, the result of which is expected to increase total capacity to over 1 million units per year. We are also exploring longer-term plans to ensure RIM can continue to meet expected increased market demand for its products.

From an industry perspective, wireless messaging and two-way paging have become mainstream topics of awareness and discussion. Conferences are now held on these topics alone. The ability of RIM's devices to provide access to email has contributed to this awareness. Industry terms such as "Information Appliances" and "Internet Appliances" are commonly used to refer to products that incorporate wearability with wireless data communications. People are beginning to understand the utility of RIM's products because they are using them in everyday life.

To continue to build on the successes of fiscal 1999, there are two critical areas of focus over the upcoming year: catalyzing demand for wireless messaging and the solid execution of RIM's business plan.

CATALYZING DEMAND FOR WIRELESS MESSAGING

Product reviews, awards, and ongoing beta trials (where products are tested by customers) have all given indications that RIM's products meet the criteria necessary for success. However, the true barometer of success is the extent to which people are willing to actually buy and use these products. RIM is devoting significant resources to marketing, selling and developing and supporting distribution channels for its products.

One of the most significant distribution partners for RIM is BellSouth Wireless Data. Following its launch of Inter@ctive Paging in September 1998, BellSouth has been successful in increasing its subscriber base of two-way paging customers. BellSouth recently announced a partnership with PageNet, the largest paging company in the world, through which PageNet will offer its ten million customers the availability of two-way paging using the BellSouth network and RIM's Inter@ctive Pager 950.

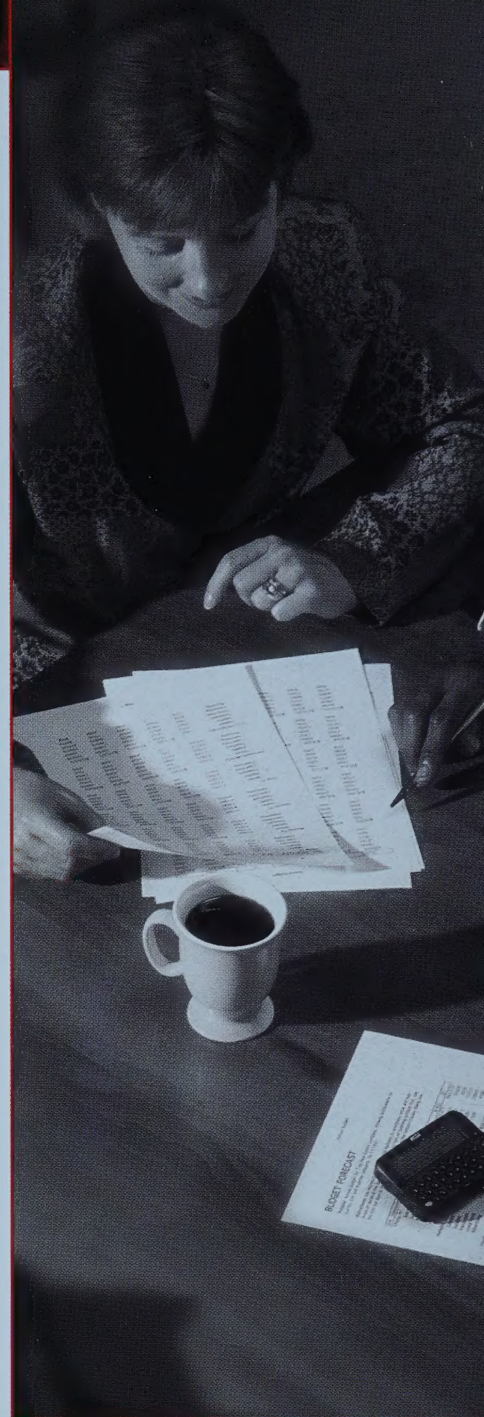
RIM will continue to support BellSouth and PageNet's direct and indirect sales channels through training, lead generation and co-op marketing.

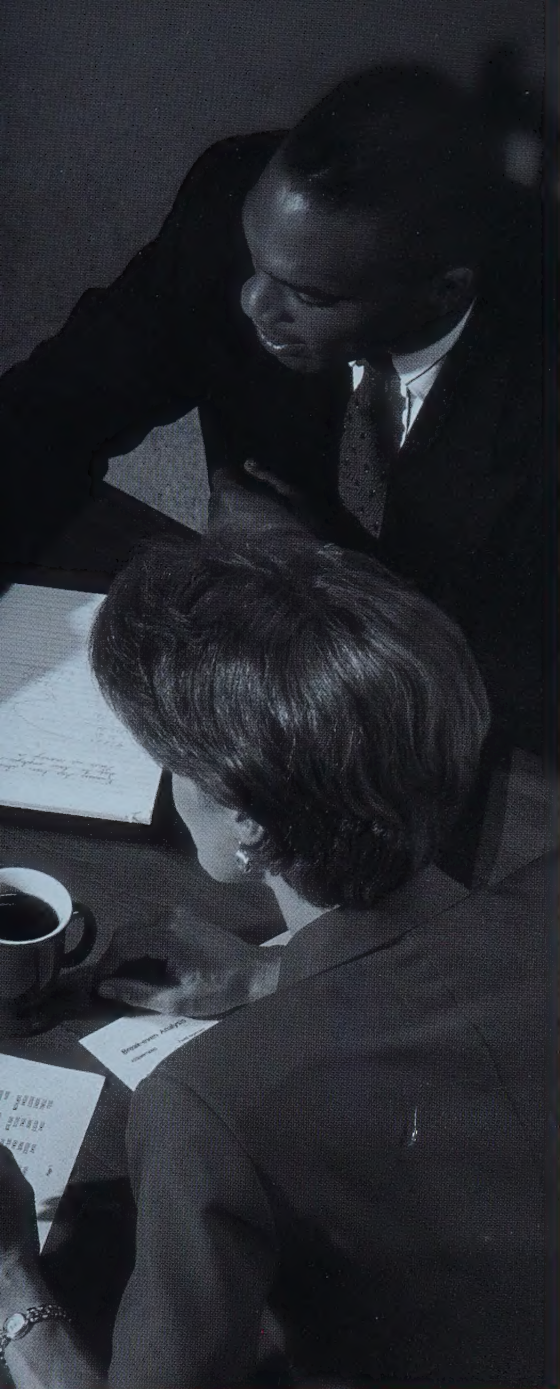
RIM will also focus on facilitating and supporting third party development on the Inter@ctive Pager platform. By making it easy and attractive to develop applications for the Inter@ctive Pager 950, RIM can effectively reach a much broader target market for its products. These platform partners and developers are profiled in more detail on page 9.

American Mobile Satellite Corp. (AMSC), another nationwide wireless data network provider in the U.S., has launched a two-way messaging service called eLink™ based on RIM's Inter@ctive Pager 850 platform. AMSC announced that in addition to its own sales efforts, it will be distributing the Inter@ctive Pager through significant one-way paging companies and other resellers, including SkyTel. AMSC and SkyTel represent significant additional distribution channels for RIM's handheld devices.

One of RIM's main focuses in fiscal 2000 is to roll out BlackBerry service throughout North America. To support the launch of BlackBerry, RIM has built a distribution channel comprised of Microsoft Exchange Value Added Resellers (VARs) who deal directly with Information Technology (IT) managers responsible for corporate computing buying decisions. Catalysing demand for BlackBerry by providing trial units to these corporate users and helping them implement the solution throughout their enterprises are key strategic focuses. More discussion on BlackBerry can be found on page 12.

"A tad bigger than an alphanumeric pager, the BlackBerry packs a QWERTY keyboard and the hottest transceiver on the street. Thanks to built-in MS Exchange integration and triple-DES encryption, your growing in-box can be accessed from anywhere... Rating: First Class" – Wired, June 1999





EXECUTION OF THE BUSINESS PLAN

Execution of RIM's business plan involves many key areas. Ongoing research and development for product improvement and new product introductions, continued maturing and ramping of manufacturing capabilities, building reliable and appropriate infrastructure for customer support, adding the right level of human resources and administration and continuing to recruit highly qualified and energetic people are all critical.

For RIM to maintain and lengthen its technical competitive lead, continuous product improvement and new product introductions are essential. New products will broaden the choices for consumers who are becoming increasingly comfortable with the notion of wearable information appliances. Making current products thinner, more powerful, with longer battery life and increased functionality are ongoing challenges. Cosmetic improvements such as different colour plastics are also being explored.

An ongoing focus on improving quality and production efficiency is clearly important. Emphasis on product design for ease of manufacturing, strengthening supplier relationships and building contingencies for sudden demand increases are all part of RIM's strategy. Hiring and training knowledgeable production team members are also absolute requirements.

RIM is dedicated to ensuring that the appropriate management and administrative support and information systems are properly implemented and maintained. Integrating all of RIM's functional areas as well as managing a growing human resources base are all challenges for fiscal 2000.

Finally, RIM's absolute dependence on its ability to hire and retain bright and highly motivated people is critical for continued success. RIM currently has 40 students working through university co-op programs and will continue to increase that number. In addition to technical personnel, RIM is aggressively recruiting people with expertise in such areas as marketing, sales, production and finance.

RIM's employees, management, and directors thank you for your support during the past year and look forward to continued success in fiscal 2000.

Jim Balsillie
Chairman and
Co-Chief Executive Officer

Mike Lazaridis
President and
Co-Chief Executive Officer

May 31, 1999

At the core of RIM's products is leading-edge radio technology. The integration and focus of expert teams in radio frequency (RF) hardware and software design, antenna design, circuit board design, integrated circuit (IC) design, power management, packaging, ergonomics and manufacturing engineering result in cost-effective radios that have powerful transmitters, sensitive receivers, small size and long battery life.

RIM Products/Markets



Top left: Inter@ctive Pager

Top right: Wireless PC Card

Bottom left: OEM Radio Modem

Bottom right: BlackBerry Wireless Email Solution





Panasonic Buys RIM's
OEM Modems for
CF-25 Ruggedized Notebook
Computers – March, 1998



Mobile Integrated
Technologies Buys RIM OEM
Modems for Vehicle-based
Communications Products
– April, 1998



RIM Receives Technology
Partnerships Canada
Funding for R&D
– May, 1998

Building on its core radio technology, RIM has a leading software team that focuses on integrating RIM's products with wireless data networks, desktop personal computers, corporate networks, and the Internet. RIM also has a team dedicated to making it easy for other people to write programs and applications that work well on RIM's products.

The two main product platforms that have been built around RIM's technology are the Wireless Handheld Appliance platform and the OEM Radio platform. The latest products released as wireless handheld appliances were the Inter@ctive Pager 950 and 850 (collectively referred to as the Inter@ctive Pager). RIM has several different OEM radio products that are currently being shipped.

Wireless Handheld Appliances

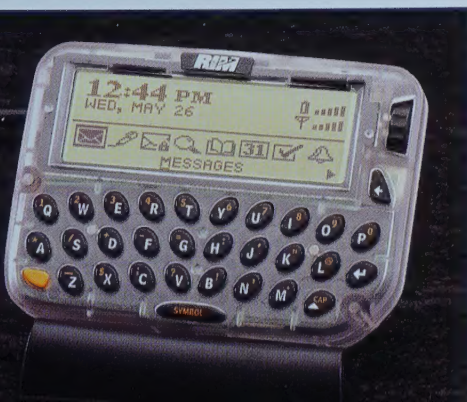
The Inter@ctive Pager is sold through several channels to diverse markets. Using the same hardware platform, different software applications are used to offer different functionality.

TWO-WAY PAGING

One of the emerging markets for RIM's devices is two-way paging. Many companies are focusing on the anticipated need to upgrade the nearly 50 million one-way paging users in North America alone. BellSouth and American Mobile in the United States and Cantel in Canada have combined the Inter@ctive Pager with custom software created by RIM to offer a two-way paging solution. The device has its own stand-alone email address and operates separately from any other email accounts that the user might have.

This target market for RIM's products is made up of one-way paging users who want the functionality of two-way messaging without any trade-offs in size, cost, coverage, or battery life. Network operators distribute this solution through direct corporate sales people, through their own wireless retail outlets, through indirect retail stores, and now through other large, one-way paging suppliers.

PageNet, the largest paging supplier in the United States, will be offering its customers two-way paging using RIM handhelds over the BellSouth network. SkyTel, which previously offered Motorola and Glenayre products exclusively to its customers, will be offering RIM handhelds operating over the American Mobile ARDIS network. Pricing for the service is expected to be based on usage, with entry level





"I have long been on a quest for the perfect mobile email reader... it's getting closer, courtesy of ... Research in Motion (www.rim.net). [BlackBerry] is the first wireless message device that I've found to be practical enough that I really want to carry it around."
– Business Week, May 3, 1999

nationwide service starting at approximately U.S.\$25 per month and unlimited usage at U.S.\$60 per month.

RIM also has relationships with wireless data network operators in Asia, South America, and Europe who are currently evaluating the feasibility of bringing two-way paging to their customers.

BLACKBERRY WIRELESS EMAIL

In another market, using the same Inter@ctive Pager hardware combined with different custom software, a docking cradle, and bundled airtime, RIM offers the BlackBerry wireless email solution to corporate customers who use Microsoft Outlook and Microsoft Exchange as their desktop and server solutions.

BlackBerry also includes all calendar, address book, task list, and other personal information management (PIM) functions that are common to other personal organizers. All email and PIM functions synchronize with the desktop when the handheld is placed in its docking cradle. Higher encryption standards in the BlackBerry software make it an ideal solution for corporate users.



Lipman USA Inc. Buys
RIM OEM modems for
Wireless Point of
Sale Terminals
– July, 1998



RIM Introduces Inter@ctive
Pager 950 for BellSouth
Interactive PagingSM Service
– August, 1998



RIM Contracts with
Rogers Cantel to offer
the Inter@ctive Pager 950
in Canada
– September, 1998



American Mobile Buys
RIM Inter@ctive Pagers
and Wireless Modems
– September, 1998



Bellsouth Wireless Data,
Sybase and RIM Form
Strategic Alliance To Enable
Wireless Platform For
Business Information
– September, 1998

BlackBerry is distributed through Microsoft Exchange VARs (Value Added Resellers) across the United States and Canada. VARs are consultants that assist companies with their corporate computing requirements. These VARs market BlackBerry to their current corporate customers with the value proposition of having their employees always connected to their desktop, saving valuable time that is otherwise spent sorting through email at the end of the day.

More than 450 companies are currently using BlackBerry, which costs users U.S.\$40 per month for unlimited email and messaging.

OPEN PROGRAMMING ENVIRONMENT

RIM designed its wireless handheld as an open platform with the goal of making it extremely easy and attractive for other software developers to create custom applications.

For example, in addition to its normal two-way paging capabilities Fidelity Brokerage has written a financial application that allows its investors to receive stock quotes, news updates, and to actually trade on the Inter@ctive Pager 950.

"Research In Motion Ltd.'s pocket-sized BlackBerry two-way wireless device is a good pick for employees who are frequently out of the office but need to keep up on their Microsoft Corp. Exchange email"

– PC Week, March 29, 1999

Wynd Communications Corp. of California developed a system using the Inter@ctive Pager 950 for the hearing impaired. This "Cellphone for the Deaf" application replaces or augments traditional services such as faxing or teletype machines. More than 28 million hearing-impaired North Americans could make use of this service.

Sybase has written a mobile database software application where organizations can extend critical business applications, such as sales force automation, service & support and scheduling, to the Inter@ctive Pager.

GoAmerica and WolfeTech have created applications that enable users to obtain information from Internet destinations under such headings as Finance, Entertainment, Sports and News.

More than 300 other companies have obtained RIM's Software Developer Kit to assist them in writing programs for the Inter@ctive Pager platform. In addition to those already described, many more developers have written applications for web browsing, dispatching, games, database access, debit and credit card processing, the real estate, legal and medical professions to name a few.

OEM Radios

The OEM Radio Modem packages RIM's core radio technology in a form that is easily integrated by other original equipment manufacturers (OEMs) into products that require wireless capabilities.

RIM is continuously working to improve its OEM product line, including upcoming products that will be even smaller and more power efficient than RIM's current industry-leading devices.

RIM's OEM customers can be divided into several distinct groups: mobile computing, in-vehicle applications, and a broad group that includes other applications such as e-commerce, telemetry, wireless vending, wireless automated teller machines, wireless alarming, dispatching and remote meter reading.

MOBILE COMPUTING

There are several types of mobile computing products that embed RIM's OEM radios.

Ruggedized terminal manufacturers produce laptops and tablet computers that have been built to withstand the rigors of outdoor and on-site conditions. Companies such as Panasonic, Itronix, Symbol and Telxon use RIM's OEM radio in their rugged handheld computing products and laptops.





Handheld computers such as those manufactured using the Microsoft Windows CE operating system can also be wirelessly enabled using RIM's OEM radio. Many companies that manufacture these small handheld devices are evaluating RIM's OEM radio technology.

IN-VEHICLE APPLICATIONS

One example of an in-vehicle application is the mobile gateway made by Mobile Integrated Technologies. These mobile gateways integrate a personal computer, a global positioning system (GPS) receiver and RIM's OEM radio to provide information and communications to truck drivers and fleet managers.

In another type of application, Intel and Ford's Visteon group are using RIM's OEM radio for the communications component of their complete in-car computing platform.

OTHER WIRELESS APPLICATIONS

Many other companies have chosen RIM as their supplier for wireless capability. As an example of wireless point-of-sale, customers can pay for their pizza at their door using a credit or debit card over a handheld terminal developed by Lipman. Ademco, the largest alarming company in the world, has chosen RIM's radios for their wireless alarming installations. Other companies are integrating the OEM radio into vending machines that are used to recharge phone cards and into automated teller machines so that they can be used in remote locations.

The size, cost, coverage and battery life advantages of RIM's OEM radios enables RIM to assume a dominant position in the growing market for wireless embedded solutions.

Going Forward

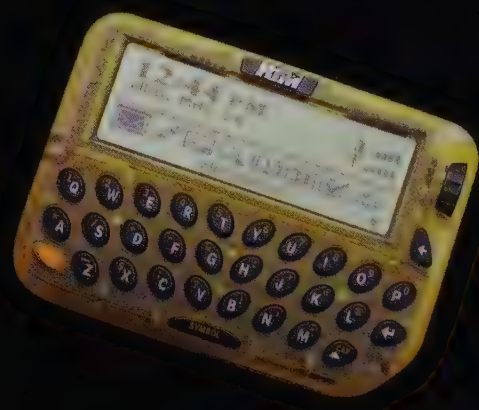
Over the course of fiscal 1999, RIM made a transition from being a "good radio developer" or a "two-way pager" company to a company that has brought to market the first wireless information appliances and wireless Internet appliances.

New offerings in the Wireless Handheld Appliance product line and next-generation OEM radio products as well as innovations in wearability, display quality, screen size, processing power, and memory are expected to fuel what many believe is the emerging trend of "distributed computing" or the need for people to carry small wireless computing devices.

BlackBerry

Email Volume and Importance Grows

Email is a tremendous messaging and collaboration tool and has become a fundamental means of communication. In fact, email has become the predominant method of business communication, even exceeding the telephone. Experts are forecasting that wireless email subscribers will increase to more than 10 million by 2001.



MOBILE WORKERS SEARCH FOR SOLUTIONS

More than ever, mobile workers are searching for solutions that will give them fast, easy access to their email even when they are away from the office. However, mobile email access has been a longstanding challenge for both users and MIS departments.

Market research on mobile email revealed common user complaints about dial-in solutions – the inconvenience of lugging a laptop just for email, the difficulty of finding a connection and dialing out of hotels, and the difficulty negotiating the corporate dial-in security. IT managers also voice displeasure with these solutions. The challenge of managing modem banks and Remote Access servers and the risk of opening an inbound path into the corporate network topped their list of concerns. Supporting dial-up PDAs is seen by many as too risky because of the lack of security software available for the PDA end of the connection.

BlackBerry

With this background in mind, RIM's objective with BlackBerry was to create the first *complete* solution for accessing corporate email and PIM from a single handheld.

BlackBerry is the first complete, wireless email solution designed specifically for corporate environments using Microsoft Exchange. In addition to simplifying remote email access, it addresses crucial corporate requirements regarding performance, reliability, security, functionality and support. BlackBerry combines industry-leading wireless device technology, innovative software and advanced wireless networks to deliver a major breakthrough in mobility.

The user benefits from a complete solution with a simple, flat-rate monthly bill and a single point of contact for support on all aspects of the mobile email solution – including desktop software, handheld, billing, and the wireless network. IT departments benefit since they do not have to piece together a solution for their mobile users and are given a secure, easy-to-support, complete solution. BlackBerry features an innovation in mobile email connectivity and a breakthrough in handheld technology.

"I think this is an amazing device. I've been using it for a week and couldn't wait to tell you about it. As a matter of fact, I don't know what I'll do without it when I have to send it back. The BlackBerry combines your email account at work (or at home) with a two-way beeper. Its usability is just sublime."
– MSNBC, March 26, 1999



SINGLE MAILBOX INTEGRATION

BlackBerry integrates seamlessly with Microsoft Exchange so that all messages sent and received are stored in users' existing mailboxes. The BlackBerry Enterprise Server is optional add-on server software that provides centralized administration, increased scalability, enhanced performance and improved support for laptop users.

PORTABILITY

BlackBerry also includes a very powerful wireless handheld that incorporates an Intel386™ processor with 2MB memory, an embedded wireless modem and integrated email/organizer software. It includes a full keyboard, backlit screen and lasts for weeks on a single AA battery. It even includes Puma Technology's award-winning Intellisync™ software for easy-to-use PC synchronization, so users can carry their email and organizer in a single wearable device.

SECURITY

Triple DES encryption technology has been incorporated into BlackBerry to meet stringent corporate security guidelines for remote email access. All wireless email messages are compressed and encrypted using Triple DES, ensuring the integrity and security of the data at all points between the BlackBerry Handheld and desktop PC (or server).

NATIONWIDE COVERAGE

BlackBerry operates over nationwide wireless networks in the United States and Canada. These proven, reliable, nationwide networks offer broad coverage, nationwide roaming, fast messaging and reliable delivery.

FLAT-RATE PRICING

With one, low monthly fee (less than \$2 per day) that includes flat-rate airtime, many BlackBerry customers are realizing significant decreases in their monthly long-distance and cellular phone charges. The highly reliable and intuitive design of the BlackBerry solution further improves cost savings and user satisfaction through increased productivity and decreased support requirements.

For more details on the BlackBerry mobile email solution, please visit www.blackberry.net or call toll-free 1-877-255-2377.

"Think of it as a Palm Pilot for wireless email... as a wireless email client, it's a dream... for mobile professionals who must keep in touch via email — the BlackBerry is one of those "why didn't I think of that" ideas."

— ZDNet News, April 2, 1999



RIM Inter@ctive Pager 950 Wins CNET Editor's Choice Award
— October, 1998



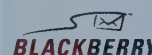
DataWave Systems Buys RIM OEM Modems for Wireless Prepaid Electronic Merchandising Systems
— November, 1998



Itronix Buys RIM OEM Modems for Ruggedized Notebooks
— December, 1998



RIM Inter@ctive Pager 950 Receives Andrew Seybold Group Outlook Award
— December, 1998



RIM Introduces BlackBerry™, a Wireless Email Solution for Microsoft Exchange Users
— January, 1999



Research In Motion Wins the 1998 Market Engineering Product Innovation Award from Frost & Sullivan
— January, 1999



RIM Inter@ctive Pager 950 Receives the Mobility Award for Wireless Hardware from Mobile Insights
— February, 1999



Academy of Motion Picture Arts and Sciences Recognizes RIM with a Technical Achievement Academy Award for the design and development of the DigiSync™ Film Keycode Reader
— February, 1999



PageNet to Distribute RIM Inter@ctive Pager 950
— March, 1999



Canadian-American Business Council announces RIM and Intel have won 1999 Canadian-American Business Achievement Award for their collaboration in wireless technology
— May, 1999

Management's Discussion and Analysis

OVERVIEW

Research In Motion more than doubled revenue to \$70.5 million and generated net income of \$9.5 million (\$0.15 per share) in the fiscal year ended February 28, 1999. Results reflected strong growth over revenues of \$31.1 million and net income of \$540,000 (\$0.01 per share) last year as RIM successfully developed and launched the Inter@ctive Pager 950 while continuing to supply OEM radio modems to new and existing customers.

Tight execution of RIM's business plan contributed to the success of fiscal 1999. Growing demand for wireless messaging products, new contract wins and deliveries, increased exposure through numerous positive product reviews, awards, and enhanced marketing efforts resulted in strong growth in all facets of the Company's business.

RESULTS OF OPERATIONS

Operating Highlights

(CDN\$000's)	Fiscal 1999	Fiscal 1998*
Revenue	\$ 70,483	\$ 31,118
Gross Profit	\$ 27,654	\$ 9,674
Net Income	\$ 9,541	\$ 540

* In fiscal 1999, the Company ceased to include Government Assistance and Investment Tax Credits in reported revenue. These items are now netted against gross research and development expenses. Previous years' financial results have been restated accordingly.

REVENUE

Revenue for the year was \$70.5 million, more than double the \$31.1 million reported last year. Results reflect continued shipments of the Inter@ctive Pager 950 to BellSouth and Cantel and sales of radio modems to OEM customers in the mobile computing, in-vehicle application, wireless point-of-sale, telemetry, and wireless alarming industries. The Inter@ctive Pager 950 accounted for approximately 80% of total product revenue, while radio modems accounted for the balance. This compares to a revenue breakdown for the prior year of 78% for the Inter@ctive Pager, with the balance consisting of radio modem products.

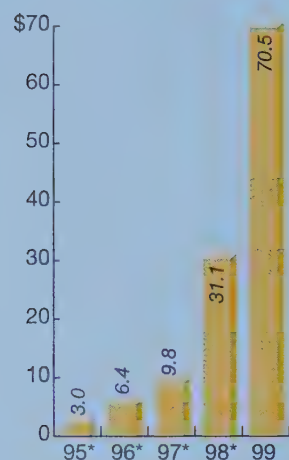
The United States continues to be the biggest market for RIM's products, accounting for 95% of fiscal 1999 sales. Canada and Asia represent the balance. In fiscal 1998, 90% of revenue was derived from the United States and the remaining 10% came from Canadian and Asian customers. Economic uncertainty and currency devaluation resulted in a decrease in shipments to Asian customers. Opportunities for future sales in Asia will depend on its ongoing economic situation. RIM will continue to foster long term relationships in Asia in the pursuit of future contracts. Other regions, such as Europe and South America will continue to be assessed to further increase market penetration.

GROSS MARGIN

Gross margins increased to 39% in fiscal 1999 from 31% in fiscal 1998. The year-over-year improvement resulted from lower cost, second generation products and economies of scale derived from increased utilization in the manufacturing facility and lower component pricing benefits gained from higher production volumes.

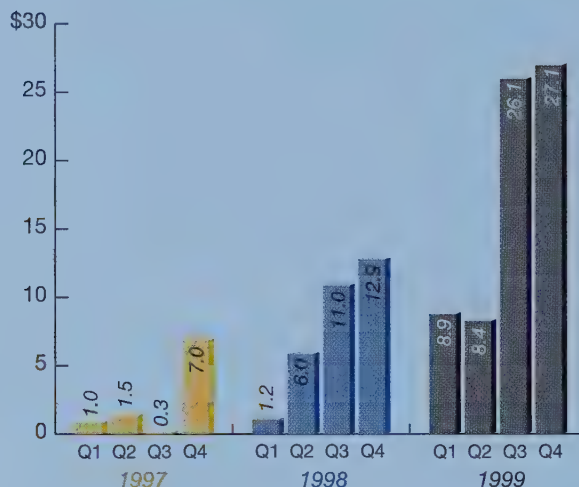
Annual Revenue

(CDN \$ million)



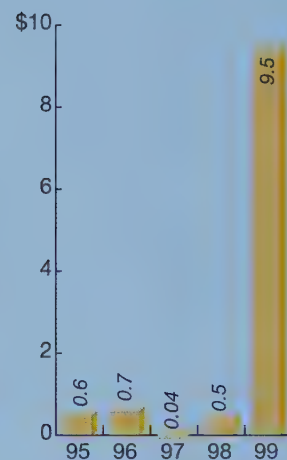
Quarterly Revenue

(CDN \$ millions)



Net Income

(CDN \$ million)



RESEARCH AND DEVELOPMENT

Gross R&D investment increased by 82% to \$11.8 million, or 17% of revenue, versus \$6.5 million, or 21% of revenue last year. Significant expenditures were made for the completion of RIM's Inter@ctive Pager 950 which was launched in August 1998, together with continued research to improve and enhance current and future products. R&D expenditures continue to be augmented by product development partnerships with industry leaders such as Intel, universities such as University of Waterloo, MacMaster University and University of Toronto, and government agencies such as Technology Partnerships Canada, Canarie Inc., and the Ministry of Energy, Science and Technology. Gross R&D spending declined as a percent of revenue due to another year of strong revenue growth.

RIM received \$5.3 million in government assistance in fiscal 1999, which primarily consisted of funding received from the Technology Partnerships Canada program and investment tax credits. This compares to \$2.0 million received in government R&D assistance in fiscal 1998. RIM will continue to use these external parties as sources of financing to promote development of future generation concepts and designs.

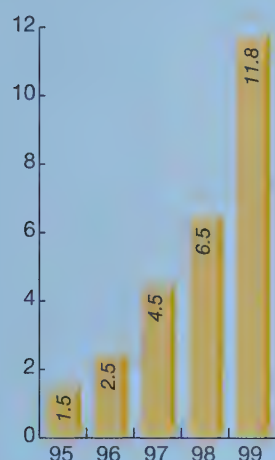
SELLING, MARKETING AND ADMINISTRATIVE EXPENSES

Selling, marketing and administrative expenses increased to \$9.7 million in fiscal 1999 from \$4.1 million last year, reflecting the increased level of sales, marketing, public relations, and recruitment activities required to support the Company's overall growth. As a percentage of revenue, these expenses increased only slightly to 14% versus 13% last year. Expenditures were in line with management's expectations.

It is anticipated that sales and marketing costs will continue to increase in the coming year as RIM continues to roll out the BlackBerry service, continues to support BellSouth's channel marketing campaign, and continues to support American Mobile as it approaches the launch of its service using RIM's products.

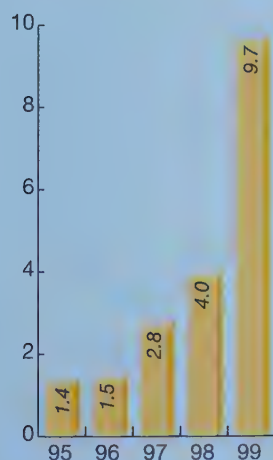
Gross Research and Development

(CDN \$ million)



Selling, Marketing and Administration

(CDN \$ million)



AMORTIZATION

In keeping with the expansion of RIM's capital spending and associated build-up of depreciable assets given the record growth in all facets of RIM's business, amortization expense increased to \$4.1 million in fiscal 1999 from \$2.2 million last year.

Capital asset expenditures totalled \$13.2 million for fiscal 1999, increasing significantly from capital additions of \$8.3 million last year. Significant additions included computer workstations to accommodate growth of the Company's employee base, technological infrastructure, production tooling, and R&D and production test equipment. In addition, significant expenditures were incurred at the manufacturing facility to increase unit capacity and to streamline the production process to increase efficiency.

INVESTMENT INCOME

The significant rise in investment income to \$5.6 million reflected the Company's higher average cash balances throughout the year. Investment income was \$2.0 million in fiscal 1998. The Company will continue to invest treasury funds in high grade instruments.

INCOME TAXES

The Company's R&D activities have given rise to income tax loss carry-forwards and investment tax credits (ITCs). In addition, the Company can claim further tax deductions for past financing costs related to the issuance of shares. RIM used loss carry-forwards to reduce its provision for income taxes to \$3.3 million in fiscal 1999. In addition, the company further used ITCs and allocable financing costs to reduce the amount of income taxes payable.

As at February 28, 1999, the Company had remaining tax loss carry-forwards, allocable financing costs, and ITCs sufficient to shelter approximately \$21.4 million of federal taxable income and approximately \$18.6 million of provincial taxable income. As RIM intends to invest further in R&D, tax incentives arising from such investment, together with the utilization of remaining tax loss carry-forwards and allocable financing costs, will continue to reduce the Company's income tax liability.

NET INCOME

Net income was \$9.5 million, or 14% of revenue, versus \$0.5 million, or 2% of fiscal 1998 revenue. The improvement was attributable to increases in revenue and gross margin, as well as investment income. Both basic and fully diluted earnings per share for the year were \$0.15, up from \$0.01 last year.

LIQUIDITY AND CAPITAL RESOURCES

The Company's operating cash flow continued to exhibit improvement in fiscal 1999. Operations generated cash of \$2.5 million, up from \$0.3 million a year earlier, despite the fact that non-cash working capital items used \$11.2 million from cash reserves versus \$2.4 million in fiscal 1998. This was primarily due to increased working capital needs, such as inventory procurement, required to support RIM's aggressive revenue expansion. As well, prepaid expenses increased by \$5.6 million to \$5.9 million as RIM prepaid BellSouth and Cantel for blocks of network usage for the BlackBerry service.

As in the prior year, RIM ended the year with a strong balance sheet. Cash and marketable securities totalled \$99 million, or approximately \$1.54 per share, and represented more than half of total assets of \$176 million.

YEAR 2000 COMPLIANCE

The Company has completed a review of systems, suppliers, processes and procedures to assess its vulnerability to Year 2000 issues. All mission-critical systems, such as the Company's manufacturing equipment, financial systems, email systems, telephone and voice mail systems and all corporate file servers have been assessed and all related remedial actions and testing are targeted for completion by mid-1999. The Company expects to complete its review, remediation and testing of other Year 2000 systems by this time as well. An assessment of the readiness of third parties, such as customers, suppliers and others is ongoing. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including but not limited to, those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. Contingency plans will be developed as required based on the results of the testing program. RIM believes that it has adopted a reasonable and prudent strategy for dealing with the Year 2000 issue. Based on the progress of the Year 2000 program to date, the Company has determined its exposure to Year 2000 risk in its mission critical systems will be low to moderate and the Company believes that it will not experience a material adverse affect on its business as a result of Year 2000 issues. Based on the review carried out to date, the costs of Year 2000 programs are not anticipated to be material and will be expensed as incurred as part of the Company's normal operating and capital budgets.

FORWARD-LOOKING STATEMENTS

Certain statements in this management's discussion and analysis constitute "forward-looking statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995. These include statements about management's expectations, beliefs, intentions or strategies for the future, which are indicated by words such as "anticipate, intend, believe, estimate, forecast and expect" and similar words. All forward-looking statements reflect management's current views with respect to future events and are subject to certain risks and uncertainties and assumptions that have been made. Important factors that could cause actual results, performance or achievements to be materially different from those expressed or implied by these forward-looking statements include:

- Continued acceptance of RIM's products;
- Intense competition;
- Rapid technological change;
- Dependence on intellectual property rights;
- Risks relating to product defects and product liability;
- Risks relating to international operations;
- Risks associated with the year 2000 issue;

And other risks detailed from time to time in RIM's periodic reports filed with the Securities and Exchange Commission and other regulatory authorities.

If one or more of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results could vary materially from those that are expressed or implied by these forward-looking statements.

OUTLOOK

Increased distribution channels for the Inter@ctive Pager 950, the introduction of the Inter@ctive Pager 850 for American Mobile, the rollout of the BlackBerry service and the planned introduction of new devices are expected to contribute to growth in fiscal 2000.

Capitalizing on this growth opportunity involves continued focus on marketing and sales, fostering third-party developer programs, continued efforts in research and development and increasing manufacturing capacity.

Marketing, sales and channel support will continue to be a key focus. Increased resources for direct sales and marketing personnel, co-op marketing programs and the BlackBerry Server rollout will be a focus for the sales and marketing group with the goal of broadening RIM's exposure and awareness of both the RIM and BlackBerry brands.

RIM will also continue its approach of catalyzing market demand for its technology solutions. The Company will facilitate and support third party development using the Inter@ctive Pager 950 platform in order to broaden its applications. Examples of these development initiative includes financial applications such as stock quotes, news, and trading services, remote database management, games, dispatch applications, web "browser" and information retrieval applications, as well as many other programs written for specific vertical niches.

RIM's commitment to research and development will continue in fiscal 2000 as technical personnel focus on projects related to next generation products, new form-factor products, advanced software and external developer initiatives, together with improving and enhancing core radio technologies, encryption techniques, operating systems, etc. In addition, RIM will continue to seek new research partners as it pushes the boundaries of wireless innovation.

Management is committed to expanding capacity at the manufacturing facility to keep pace with accelerating demand for RIM's products. Budgets for additional equipment, plans for hiring additional staff and strengthening supplier relationships are important components of RIM's production plan.

Current cash reserves of \$99 million combined with an unused banking facility are anticipated to be sufficient to fund these strategic initiatives in the near term. Additional financial resources for manufacturing capacity and working capital may be required if growth rates exceed management's current expectations.

Management's Responsibility for Financial Reporting

TO THE SHAREHOLDERS OF RESEARCH IN MOTION LIMITED

The management of Research In Motion Limited is responsible for the preparation of the accompanying financial statements in accordance with generally accepted accounting principles, including estimates and judgments required for such preparation. The financial information appearing throughout this annual report is consistent with the financial statements.

In fulfilling its responsibility for the reliability and integrity of financial information, management has established and maintains a system of internal controls and budgeting procedures. Management believes these systems and controls provide reasonable assurance that assets are safeguarded, transactions are executed in accordance with management's authorization and financial records are reliable for preparing the financial statements.

The financial statements are reviewed and approved by the Board of Directors and the Audit Committee, which oversee management's reporting responsibilities. Zeifman & Company and Ernst & Young, the independent auditors appointed by the shareholders, have examined the financial statements in accordance with generally accepted auditing standards and their report follows.

The Audit Committee of the Board of Directors, which consists of non-management directors, meets with management and the independent auditors to ensure that each is discharging its respective responsibilities relating to the financial statements. The external auditors have full and free access to the Audit Committee to discuss audit findings, financial reporting and other related matters.



Mike Lazaridis
President & Co-CEO



Dennis Kavelman
Chief Financial Officer
Waterloo, Ontario

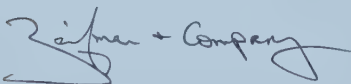
Auditors' Report

TO THE SHAREHOLDERS OF RESEARCH IN MOTION LIMITED

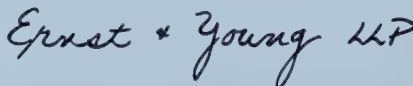
We have audited the balance sheets of Research In Motion Limited as at February 28, 1999 and 1998 and the statements of operations and retained earnings and cash flows for each of the years in the three year period ended February 28, 1999. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at February 28, 1999 and 1998 and the results of its operations and its cash flows for each of the years in the three year period ended February 28, 1999 in accordance with accounting principles generally accepted in Canada.



Zeifman and Company
Chartered Accountants



Ernst & Young LLP
Chartered Accountants
Toronto, Ontario
April 7, 1999

Balance Sheets

As at February 28,

1999

1998

ASSETS**Current**

Cash and cash equivalents	\$	14,320	\$	96,008
Marketable securities (note 2)		84,855		13,011
Amounts receivable (note 3)		18,633		14,955
Inventory (note 4)		29,496		15,398
Prepaid expenses (note 5)		5,873		242
		153,177		139,614

Capital assets (note 6)		22,350		13,733
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Total Assets	\$	175,527	\$	153,347
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LIABILITIES**Current**

Accounts payable and accrued liabilities	\$	11,560	\$	2,370
Taxes payable		1,256		162
Deferred revenue (note 8)		2,657		760

Total Liabilities		15,473		3,292
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SHAREHOLDERS' EQUITY

Capital Stock (note 10)		148,691		148,233
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Retained Earnings		11,363		1,822
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Total Shareholders' Equity		160,054		150,055
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	\$	175,527	\$	153,347
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See accompanying notes.

On Behalf of the Board



Director



Director

Statements of Operations and Retained Earnings

For the years ended February 28,	1999	1998	1997
Revenue	\$ 70,483	\$ 31,118	\$ 9,837
Cost of Sales	42,829	21,444	5,681
Gross Profit	27,654	9,674	4,156
<i>Expenses</i>			
Research and development net of government assistance of \$5,269 (1998 - \$2,041, 1997 - \$2,234)	6,524	4,444	2,246
Administration and marketing	9,745	4,076	2,802
Amortization	4,144	2,192	566
	20,413	10,712	5,614
Income (Loss) From Operations	7,241	(1,038)	(1,458)
Investment Income	5,643	1,963	1,439
Income (Loss) Before Income Taxes	12,884	925	(19)
Provision for Income Taxes (note 7)			
Current	3,343	385	55
Deferred	—	—	(118)
	3,343	385	(63)
Net Income	9,541	540	44
Retained Earnings, beginning of the year	1,822	1,672	1,628
Capital dividend paid during the year	—	(390)	—
Retained Earnings, end of the year	\$ 11,363	\$ 1,822	\$ 1,672
Earnings Per Share –			
Basic	\$ 0.15	\$ 0.01	\$ 0.00
Fully diluted	\$ 0.15	\$ 0.01	\$ 0.00

See accompanying notes.

Statements of Cash Flows

For the years ended February 28,	1999	1998	1997
Cash Flows from Operating Activities			
Net income for the year	\$ 9,541	\$ 540	\$ 44
Item not requiring an outlay of cash:			
Amortization	4,144	2,192	566
Deferred income taxes	—	—	(118)
	13,685	2,732	492
Net changes in non-cash working capital items related to operations:			
Amounts receivable	(3,678)	(3,909)	(7,475)
Inventory	(14,098)	445	(11,595)
Prepaid expenses	(5,631)	(83)	(56)
Accounts payable and accrued liabilities	9,190	185	894
Income taxes payable	1,094	321	(93)
Deferred revenue	1,897	618	110
	2,459	309	(17,723)
Cash Flows from Financing Activities			
Income tax reduction resulting from financing costs	775	306	—
Government funding received to offset capital asset acquisitions	430	295	632
Issuance of share capital	73	116,890	39,115
Financing costs	(390)	(8,059)	(2,254)
Repayment of loans payable	—	(1,480)	(1,799)
Capital dividend paid	—	(390)	—
Repayments to shareholders	—	—	(750)
	888	107,562	34,944
Cash Flows from Investing Activities			
Acquisition of marketable securities	(115,576)	(13,011)	—
Proceeds on sale and maturity of marketable securities	43,732	—	—
Acquisition of capital assets	(13,191)	(8,328)	(8,277)
	(85,035)	(21,339)	(8,277)
Net Increase (Decrease) in Cash and Cash Equivalents for the Year	(81,688)	86,532	8,944
Cash and Cash Equivalents, Beginning of the Year	96,008	9,476	532
Cash and Cash Equivalents, End of the Year	\$ 14,320	\$ 96,008	\$ 9,476
Cash and Cash Equivalents are Represented by:			
Balances with banks	\$ 1,863	\$ 2,607	\$ (24)
Short-term investments	12,457	93,401	9,500
Total cash and cash equivalents	\$ 14,320	\$ 96,008	\$ 9,476

See accompanying notes.

Notes to Financial Statements

February 28, 1999

Nature of Business

Research In Motion Limited (the "Company") is in the business of developing, manufacturing and supplying radios and other network access devices for use in wireless data communications systems. The Company was incorporated on March 7, 1984 under the Ontario Business Corporations Act. The Company's shares trade publicly on the Toronto Stock Exchange under the symbol RIM and on the NASDAQ AMEX Stock Market - National Market under the symbol RIMM.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) General -

These financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada on a basis consistent with prior years, which conforms in all material respects with accounting principles generally accepted in the United States except as presented in note 16. Because a precise determination of assets and liabilities depends on future events, the preparation of financial statements for a period necessarily involves the use of estimates and approximation. Actual amounts may differ from these estimates. These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below.

(b) Financial instruments -

A significant portion of the Company's sales and purchases are transacted with companies in the United States. As a result, the Company is exposed to risks relating to foreign exchange fluctuations. The Company mitigates this risk by maintaining U.S. dollar funds. Marketable securities are subject to market risk in that their value will fluctuate as a result of changes in market prices. Unless otherwise noted, the fair value of financial instruments approximates carrying values.

(c) Cash and cash equivalents -

Cash and cash equivalents consist of cash balances with banks and short term investments with original maturities of less than three months.

(d) Marketable securities -

Marketable securities include preference shares and debentures and are carried at the lower of cost or market value.

(e) Inventory -

Inventory of raw materials and work in process is stated at the lower of cost and net realizable value, with cost determined on a first-in-first-out basis. Cost includes the cost of materials plus direct labour applied to the product and the applicable share of manufacturing overhead.

(f) Capital assets -

Capital assets are stated at cost and amortization is provided using the following methods:

Furniture, fixtures, tooling and equipment	- 20% per annum on the declining balance;
Computer equipment	- straight-line over five years;
Leasehold improvements	- straight-line over five years;
Patents	- straight-line over seventeen years.

Amortization is recorded from the date of acquisition.

(g) Income taxes -

Income taxes are accounted for using the deferral method of tax allocation under which income taxes are provided for in the year in which transactions affect net income regardless of when such transactions are recognized for tax purposes.

(h) Foreign currency translation -

Foreign currency denominated monetary items are translated into Canadian dollars at the exchange rate in effect at year end. Transactions in foreign currencies are translated at the rate prevailing at the date of the transactions. Any resulting gains or losses are included in income.

(i) Revenue recognition -

The Company recognizes revenue from the sale of manufactured goods when the goods have been shipped. Government assistance is recognized when the related expenses have been incurred. Deferred revenue is taken into income in the period in which it is earned.

(j) Research and development -

The Company is engaged at all times in research and development work. The research and development costs other than capital asset acquisitions are charged as an operating expense of the Company as incurred unless they meet generally accepted accounting principles for deferral.

(k) Government assistance -

Government assistance towards research and development expenditures is received as grants from the Ontario Technology Fund, Technology Partnerships Canada and in the form of investment tax credits. Assistance related to the acquisition of capital assets used for research and development is credited against the related capital assets and all other assistance is credited against related expenses.

(l) Earnings per share -

Basic earnings per share is calculated based on the weighted average number of shares outstanding during the year. Fully diluted earnings per share is calculated on the weighted average number of shares that would have been outstanding during the year had all the dilutive options been exercised at the beginning of the year, or date of issuance, if issued during the fiscal year.

2. MARKETABLE SECURITIES

Marketable securities are comprised as follows (in thousands):

	1999		1998	
Preferred shares	\$	13,748	\$	1,750
Bonds and debentures		71,107		11,261
	\$	84,855	\$	13,011

The Company has invested in preferred shares of Canadian corporations. Market values of preferred shares, bonds and debentures approximate carrying value. Investments in bonds and debentures represent holdings in Canadian corporate and Government notes with approximate average yields of 4.4% (4.7% in 1998).

3. AMOUNTS RECEIVABLE

Amounts receivable are comprised as follows (in thousands):

	1999	1998
Trade receivables	\$ 16,569	\$ 11,238
Other receivables	2,064	1,917
Refundable investment tax credits	—	1,800
	\$ 18,633	\$ 14,955

The Company in the normal course of business, monitors the financial condition of its customers and reviews the credit history of each new customer. The Company establishes an allowance for doubtful accounts that corresponds to the specific credit risk of its customers, historical trends and economic circumstances. The allowance for 1999 is \$98,000 (1998 - \$10,000). The Company has long-term contracts or supply agreements with most of its major customers. While the Company sells to a variety of customers, at February 28, 1999 2 customers comprise 87% of trade receivables (1998 - 6 customers, 87%). In addition, sales to the Company's major customer accounts for 69% of total sales. Over 90% of sales are to customers outside of Canada.

4. INVENTORY

Inventory is comprised as follows (in thousands):

	1999	1998
Raw materials	\$ 28,404	\$ 12,586
Work in process	1,092	2,812
	\$ 29,496	\$ 15,398

5. PREPAID EXPENSES

Prepaid expenses are comprised as follows (in thousands):

	1999	1998
Airtime	\$ 5,444	\$ —
Other	429	242
	\$ 5,873	\$ 242

The airtime was acquired to be used with the Company's BlackBerry product. This airtime will be charged to earnings as it is used.

6. CAPITAL ASSETS

Capital assets are comprised as follows (in thousands):

			1999
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>
Furniture, fixtures, tooling and equipment	\$ 18,212	\$ 4,423	\$ 13,789
Computer equipment	8,434	2,288	6,146
Leasehold improvements	1,793	361	1,432
Patents	1,127	144	983
	\$ 29,566	\$ 7,216	\$ 22,350

			1998
	<i>Cost</i>	<i>Accumulated amortization</i>	<i>Net book value</i>
Furniture, fixtures, tooling and equipment	\$ 11,431	\$ 1,728	\$ 9,703
Computer equipment	4,025	1,167	2,858
Leasehold improvements	641	99	542
Patents	708	78	630
	\$ 16,805	\$ 3,072	\$ 13,733

7. INCOME TAXES

The Company has non-refundable investment tax credit carry-forwards which total \$4,114,000 as at February 28, 1999. These investment tax credits are available to offset future federal income taxes payable. The Company has an unclaimed Scientific Research and Experimental Development ("SRED") tax pool of \$3,325,000 which is available to offset future taxable income. In addition, the Company has loss carry-forwards of \$12,400,000 for Ontario tax purposes which have arisen primarily as a result of the provincial super-allowance on the Company's research and development expenditures. These carry-forwards expire as follows (in thousands):

<i>In the year ending</i>	<i>Investment tax credits</i>	<i>Ontario tax losses</i>	<i>SRED pool</i>
2000	\$ —	\$ 1,688	\$ —
2001	—	2,055	—
2002	3	223	—
2003	14	1,869	—
2004	49	2,825	—
2005	43	1,327	—
2006	371	2,413	—
2007	817	—	—
2008	960	—	—
2009	1,857	—	—
Indefinite carryforward	—	—	3,325
	\$ 4,114	\$ 12,400	\$ 3,325

In addition the Company will claim further tax deductions in future years for its financing costs. These costs are deductible at the rate of approximately \$2,141,000 per annum for each of the years ending February 28, 2000 and 2001, \$1,690,000 for the year ending February 28, 2002 and \$1,083,000 for the year ending February 28, 2003.

No portion of the potential benefit of the carryforwards and timing differences has been reflected in these financial statements except to offset deferred taxes of \$4,143,000. Any benefits related to the deduction of the financing costs will be credited directly to share capital. Any benefits related to investment tax credits claimed for capital asset acquisitions will be credited to capital assets. Any other benefits of these carryforwards will be credited to income in the year of recognition.

The difference between the amount of the provision for income taxes and the amount computed by multiplying income before taxes by the statutory rate is reconciled as follows (in thousands):

	1999	1998	1997
Provision for income taxes based on a Canadian income tax rate of 44.62%	\$ 5,749	\$ 413	\$ (9)
Increase (decrease) in taxes resulting from:			
Utilization of tax loss carryforwards	(2,667)	—	—
Research and development tax incentives	(374)	(644)	(290)
Other	635	616	236
	\$ 3,343	\$ 385	\$ (63)

8. DEFERRED REVENUE

Deferred revenue is comprised as follows (in thousands):

	1999	1998
Deferred warranty	\$ 905	\$ 760
Advance for development work	1,752	—
	\$ 2,657	\$ 760

9. LEASE COMMITMENTS

The Company is committed to lease payments under operating leases for premises as follows (in thousands):

For the year ending February 28, 2000	\$ 571
2001	\$ 571
2002	\$ 457
2003	\$ 39

In addition, the Company is also responsible for operating costs on its premises.

10. CAPITAL STOCK**(a) Share capital -**

The Company has an unlimited number of authorized non-voting, redeemable, retractable Class A common shares, an unlimited number of authorized voting common shares and an unlimited number of authorized, non-voting, cumulative, redeemable, retractable special shares. The following details the changes in issued and outstanding common shares, Class A common shares and special warrants for the period from February 29, 1996 to February 28, 1999:

	Number				
	Common shares	Class A common shares	Common share purchase warrants	Special warrants	Total
Balance, February 29, 1996	33,320,000	700,000	—	—	34,020,000
Issued during the year	2,320,000	597,000	—	10,000,000	12,917,000
Conversion of Class A common shares and special warrants to common shares	11,297,000	(1,297,000)	—	(10,000,000)	—
Balance, February 28, 1997	46,937,000	—	—	—	46,937,000
Issued during the year	17,031,087	—	139,000	—	17,170,087
Balance, February 28, 1998	63,968,087	—	139,000	—	64,107,087
Issued during the year	291,028	—	—	—	291,028
Balance, February 28, 1999	64,259,115	—	139,000	—	64,398,115

	Amount				
	Common shares	Class A common shares	Common share purchase warrants	Special warrants	Total
Balance, February 29, 1996	\$ 2,199	\$ 35	\$ —	\$ —	\$ 2,234
Issued during the year	5,085	30	—	34,000	39,115
Conversion of Class A common shares and special warrants to common shares	34,065	(65)	—	(34,000)	—
Financing costs	(2,253)	—	—	—	(2,253)
Balance, February 28, 1997	39,096	—	—	—	39,096
Issued during the year	116,890	—	—	—	116,890
Financing costs	(8,059)	—	—	—	(8,059)
Income tax reduction resulting from financing costs	306	—	—	—	306
Balance, February 28, 1998	148,233	—	—	—	148,233
Issued during the year	73	—	—	—	73
Financing costs	(390)	—	—	—	(390)
Income tax reduction resulting from financing costs	775	—	—	—	775
Balance, February 28, 1999	\$ 148,691	\$ —	\$ —	\$ —	\$ 148,691

Each common share purchase warrant entitles the holder to acquire one common share for \$4.50 until August 12, 2002.

(b) Stock option plan -

The Company has an incentive stock option plan for all of its directors, officers and employees. The option exercise price is the fair market value of the Company's common shares at the date of grant. These options vest over a period of five years after which they are exercisable for seven or ten years after the grant date. As at February 28, 1999, there were 6,482,150 options outstanding with exercise prices ranging from \$3.40 to \$13.40. Options for 915,400 shares have vested. There are 3,113,850 shares available for future grants under the plan.

11. GOVERNMENT ASSISTANCE

Agreements have been signed which provide the Company with government assistance equal to 50% of current and capital research and development expenditures with respect to the Ontario Technology Fund and 30% with respect to Technology Partnerships Canada.

Government assistance from the Ontario Technology Fund may be repayable in the form of royalties based on future sales related to the technology funded. Such amounts, if any, that may be repayable will be accounted for in the period in which conditions arise that will cause repayment. These royalty payments will be repayable over a period of ten years from the date of commencement of the future sales related to the technology funded or until the total aggregate amount of all royalty payments equals the total amount of government assistance, whichever occurs first. The royalty payments will be based on the Company's value added component to the products, being the excess of selling price over material costs, and will be 1% in year 1, 2% in year 2, 3% in year 3, 4% in year 4 and 5% in each of years 5 to 10, subject to annual maximum contributions of \$100,000 in year 1, \$400,000 in year 2, \$600,000 in year 3, \$800,000 in year 4, \$1,000,000 in year 5 and \$1,250,000 per year in each of years 6 to 10, inclusive, until the total \$4,710,000 of the grant has been paid back.

Government assistance from Technology Partnerships Canada ("TPC") is subject to royalty payments of 2.2% of gross product revenues based on future sales related to the technology funded. The first royalty payment is due 46 days after February 28, 2000. If by February 28, 2003, the royalty payments paid or due are equal to or exceed \$9,100,000, no further royalty payments will be payable. If by February 28, 2003, the royalty payments paid or due do not equal or exceed \$9,100,000, royalty payments will continue to be payable to a limit of \$9,100,000, but such royalty payments shall be payable on revenue from all two-way pager products instead of solely products developed with the TPC funding.

No amounts have been accrued with respect to repayments as the conditions for repayment have not been met.

12. INTEREST AND INCOME TAXES PAID

The following summarizes the interest and income taxes paid during the year (in thousands):

	1999	1998	1997
Interest paid	\$ —	\$ 82	\$ 253
Income taxes paid	\$ 579	\$ —	\$ 36

13. SEGMENT DISCLOSURES

The Company, after reviewing its reporting systems, has determined that it has one reportable segment. The Company's operations are substantially all related to the research, design, manufacture and sales of wireless data communications products. Operations include the manufacture of radios and other network access devices for original equipment manufacturers as well as wireless products for the aftermarket. Substantially all revenue is derived from sales to North American customers. All assets of the business support these operations.

14. UNCERTAINTY DUE TO THE YEAR 2000 ISSUE

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on or after January 1, 2000 and if not addressed, the impact on operations and financial reporting may range from minor errors to significant system failure which could affect the Company's ability to conduct normal business operations. However, it is not possible to be certain that all aspects of the Year 2000 issue affecting the Company, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

15. COMPARATIVE FIGURES

Certain of the prior year's figures have been reclassified for consistency with the presentation adopted for the current year.

16. SUMMARY OF MATERIAL DIFFERENCES BETWEEN GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP) IN CANADA AND THE UNITED STATES

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted in Canada ("Canadian GAAP") which conform in all material respects with accounting principles generally accepted in the United States ("U.S. GAAP") except as set forth below (in thousands, except for earnings per share):

Balance Sheets -

	1999	1998	1997
Total assets under Canadian GAAP	\$ 175,527	\$ 153,347	\$ 44,415
Adjustment - Deferred income taxes (a)	3,000	700	—
Total assets under U.S. GAAP	\$ 178,527	\$ 154,047	\$ 44,415
Total shareholders' equity under Canadian GAAP	\$ 160,054	\$ 150,055	\$ 40,766
Adjustment - Deferred income taxes (a)	3,000	700	—
Total shareholders' equity under U.S. GAAP	\$ 163,054	\$ 150,755	\$ 40,766

Statements of Operations -

	1999	1998	1997
Net income under Canadian GAAP	\$ 9,541	\$ 540	\$ 44
Adjustment - Deferred income taxes (a)	500	—	—
Net income under U.S. GAAP	\$ 10,041	\$ 540	\$ 44
Earnings per share under U.S. GAAP			
Basic	\$ 0.16	\$ 0.01	\$ 0.00
Diluted	\$ 0.14	\$ 0.01	\$ 0.00

(a) *Income taxes -*

For Canadian GAAP purposes the Company uses the deferral method of accounting for income taxes such that deferred assets or liabilities arise from differences between financial statement income and taxable income. These deferred income tax assets and/or liabilities are recorded using the income tax rate in effect at the time and are not affected by subsequent changes in income tax rates. A deferred income tax asset may be recognized when there is "virtual certainty" that these benefits would be realized. Under U.S. GAAP, deferred tax assets and liabilities arise from differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis, and are adjusted to reflect expected tax rates. Under U.S. GAAP, deferred income tax assets are recorded net of a valuation allowance to the extent that it is "more likely than not" that some or all of the deferred tax asset will not be recovered.

The Company has determined that under U.S. GAAP a deferred tax asset of \$3,000,000 net of valuation allowance of \$4,500,000 could be recognized for the year ended February 28, 1999. (1998 - \$700,000, net of a valuation allowance of \$6,200,000, 1997 - nil net of a valuation allowance of \$1,940,000). Of the total asset, \$2,500,000 (\$700,000 for 1998) is associated with financing costs which have been deducted from the proceeds of the Company's issue of common stock during fiscal 1998 and 1999. The remaining \$500,000 is associated with the utilization of tax losses and other carryforward balances.

(b) *Statements of comprehensive income -*

Under U.S. GAAP, SFAS 130, *Reporting Comprehensive Income* establishes standards for the reporting and display of comprehensive income and its components in general-purpose financial statements. Comprehensive income is defined as the change in net assets of a business enterprise during a period from transactions and other events and circumstances from non-owner sources, and includes all changes in equity during a period except those resulting from investments by owners and distributions to owners. The Company does not have any reportable items of comprehensive income other than its net income.

(c) *Accounting for stock compensation -*

Under U.S. GAAP, for any stock option with an exercise price that is less than the market price on the date of grant, the difference between the exercise price and the market price on the date of grant is recorded as compensation expense ("intrinsic value based method"). The Company grants stock options at the fair market value of the shares on the day preceding the date of the grant of the options. Consequently, no compensation expense is recognized. This method is consistent with U.S. GAAP, APB Opinion 25, *Accounting for Stock Issued to Employees*

Corporate Information

OFFICERS

Mike Lazaridis
President and Co-Chief
Executive Officer

Jim Balsillie
Chairman and Co-Chief
Executive Officer

Mark Carragher
Vice President,
Custom Silicon

Justin Fabian
Vice President,
Business Development

Douglas Fregin
Vice President,
Operations

Dennis Kavelman*
Chief Financial Officer

Richard Landry
Vice President,
Manufacturing

Donald McMurtry
Vice President, Sales

Charles Meyer*
Vice President
and Secretary

Bryan Taylor
Vice President,
Engineering

David Werezak
Vice President,
Marketing

David Yach*
Vice President,
Software

* Board Observer

BOARD OF DIRECTORS

Jim Balsillie²

Mike Lazaridis

Douglas Fregin

E. Kendall Cork¹

Managing Director of Sentinel Associates Ltd., a leading business and financial consulting firm and Vice-Chairman of E-L Financial Corporation Ltd. Mr. Cork is also a Director of several corporations including Dominion of Canada General Insurance, Empire Life, The Bank of Nova Scotia, McCain Foods, United Corporations, Strongco, InternetSecure and the University of Toronto Press.

Jim Estill¹

President & Chief Executive Officer, EMJ Data Systems Ltd., a wholesaler of microcomputers and peripherals with sales of \$150 million (TSE: EMJ). Mr. Estill founded EMJ in 1979.

Douglas Wright^{1,2}

President Emeritus of the University of Waterloo. Dr. Wright is also a director of several corporations, including COM DEV, Electrohome, and Meloche Monnex. He also serves on the Board of the Ontario Research and Development Challenge Fund and acts as an advisor to Canadian Imperial Bank of Commerce.

EXTERNAL BOARD OBSERVER

Tom Franz

Vice President and General Manager
of Embedded Microcomputer Division,
Intel Corporation

¹ Audit Committee

² Compensation Committee



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